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Thesis

NEGRO BANKS IN THE UNITED STATES

Submitted by

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Preface bro

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Last September, I was conversing with a fellow student (white) about our respective programs of study for the M.A. degree. During the conversation he asked me what subject I had chosen for my thesis. When I answered, "Negro Banks in the United States," he looked quite surprised and replied that he did not know there were any such banks. In as few words as possible I explained to him the cause for such institutions and something about their defects and the good they accomplish. Needless to say, my friend was interested in this new phase of knowledge of which he had been apprised.

His ignorance of Negroes and their problems set me to thinking more than ever. In fact, I felt it a duty to write as informatively as possible on the subject I have selected with the idea that I might be able to carry a real story concerning the black man and one phase of his economic problems to others who, though probably aware of some aspects of the Negro, are not well versed about his attempts in the banking field.

Nothing tangible, as a book or exhaustive treatise, has ever been written on Negro Banks. This fact prevented me from securing information which would probably have





been invaluable to me. However, I am acquainted with about ten Negroes who are in the banking business and I have lived in a community for years where a Negro bank was located. The first dollar I ever put into a bank was in the Industrial Savings Bank in Washington, D.C., to which I have alluded in the thesis. I have heard the subject discussed a hundred times, and within recent years I have drawn my own conclusions concerning it.

In addition to my vicarious and first hand knowledge about Negro banks, I wrote letters to sixty Negro bankers in September, 1929, requesting them to send me as much information about their institutions as possible. I specifically requested each one to send me a bank statement and an opinion on what were the main weaknesses and strength in their institutions. Fortunately, I received replies from thirty-five of these banks, among which were the Douglass National Bank and the Binga State Bank of Chicago, the Citizens Trust Company, Atlanta, Georgia, Mechanics and Farmers Bank, Durham, North Carolina, Citizens and Southern Bank and Trust Company of Philadelphia and the Citizens Savings Bank and Trust Company of Nashville. Recently, I had the pleasure <sup>of</sup> ~~to~~ visit <sup>179</sup> three Negro banks, the Industrial Savings Bank and the Prudential Bank of Washington, D.C. and the Dunbar National Bank of New York City.





Nearly everyone of the replies I received stated that the Negro was not ready for commercial banking due to his slow commercial progress. Practically all of them suggested small savings banks and industrial loan societies as the safest banking principle and as the best way to serve the Negro race at its present stage of development. Notable among the institutions making the above reply were the Douglass National Bank, the Binga State Bank, the Citizens Savings Bank and Trust Company and the Mechanics and Farmers Bank. These four institutions have met with greater success than any in the Negro banking business, yet they fully realize the ever present danger and limitations placed upon them in the commercial banking field.

I stated that I had the pleasure, <sup>of</sup> ~~to~~ <sup>my</sup> visit banks in Washington and New York. The least I can say is that it was a pleasure. I was graciously received in every instance and the officials of these banks went out of their way to explain to me the workings of their institutions. Especially was this so in New York where the Dunbar Bank is located.

In treating with Negro Banks, I decided on the broad historical and social method in preference to a detailed explanation of the mechanics of banking. My reason for this was based on the fact that one really could not say very much about the mechanics of these institutions since they



are all operated more or less on the same principle and have the same problems; any explanation of "behind the counter" operations would have been entirely repetitious. Furthermore, the problem warranted a social and historical treatment since Negro banking is so much a part of the general economic background of the race: an examination of the social history would better bring out the important factors in the banking aspects of the question.

From 1900 to 1928, eighty-eight accredited Negro banks were founded in the United States. Practically every one was located below the Mason-Dixon line. This was due, of course, to the bulk of the Negro population residing in the South. In the last fifteen years, however, important Negro banking institutions have been organized in a few Northern and Mid-Western cities. The cause for this trend is the result of the tremendous migration of the black man to the large industrial centers of the North and Mid-West in the last generation.

The problems confronting the Negro bankers are deep-rooted. If, and when they are solved, the race will have made an important step forward, socially and economically. Though the past has been replete with mistakes, the future appears to be brighter. At any rate, the black man is plodding on in his desire to live and to succeed in this, his adopted home.





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## Outline

### I. Introduction

1. Negro considered a foreign element
2. Negro compelled to set up his own business

### II. Commercial and Financial Activities by Negroes before 1865

1. A few "Free Persons of Color" successful business men
  - a. In New Orleans
  - b. In Cincinnati
  - c. In Philadelphia
  - d. In New York
2. In general, Negroes were ignorant, irresponsible slaves
  - a. No opportunity for self development
  - b. Depend<sup>ed</sup> entirely on masters

### III. Freedmen's Savings Bank and Trust Company

1. Outgrowth of deposits by Negro soldiers in Military Banks
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  - b. Approved by U. S. Congress
2. At beginning, the Freedmen's Savings Bank and Trust Company adhered to sound banking practices
3. The bank had forty bankers
4. Personel<sup>nel</sup> of bank very noteworthy at beginning
  - a. William A. Booth, President
  - b. John W. Alvord, Secretary
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  - a. Purchase of real estate
  - b. Meddling by Freedmen's Bureau officials





- c. Employment of ignorant Negroes as officials
- d. Unsecured and unscrupulous loans
- e. Unprofitable operation of branches
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- a. A costly experience
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5. The organization of the average Negro Bank
  - a. Formation of Company to sell stock
    1. Stock sold on instalment basis
    2. Method of marketing stock inefficient
  - b. Organizers of the Company usually ignorant and irresponsible
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  - a. Managers are professional men or real estate operators
  - b. In general, they know nothing about banking
  - c. Usually results in failure
7. The Negro Depositors of the Chelsea Exchange Bank
  - a. Small traders
  - b. Wage earners
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8. The Development of a Negro Bank
  - a. At the beginning, is not very popular
  - b. Negro Banker goes thru a period of lean years
  - c. The bank meets with public approval
    1. The banker looked upon as a leader
    2. Deposits increase
  - d. Causes of the bank's failure
    1. No commercial accounts
    2. No statistical information concerning investment market
    3. Unscrupulous schemers
    4. Unsafe real estate loans
      - a. A case of bad banking practices in Philadelphia
      - b. Failure caused by unwise investment of the bank's money
  - e. Negro Bankers are at times unjustly criticised by the bank's depositors





- in
1. Results <sup>in</sup>unwise loans
2. Majority of such loans made to real estate operators
3. The banker is often forced to make unwise loans against his better judgment
4. The banker has to figure on earning a profit for the bank's stock holders

f. Unwise loans tie up the bank's funds

1. Borrowers cannot meet their obligations with the bank
2. The banker tries hard to increase his cash reserve
  - a. Though selling securities owned by the bank
  - b. Though borrowing from white banks
- g. Negro Banks guilty of unwise investments and fail when their depositors are not employed
  1. Negro depositors constantly withdraw their accounts
  2. They have no economic independence

VI. Outstanding Negro Banks in the United States

1. Citizens Savings Bank and Trust

- a. Twenty-five years old
- b. Efficient management
- c. Conservative policy
- d. Statement of the Citizens Savings Bank and Trust Company
  1. Shows safe balance of assets and liabilities
  2. Shows steady growth

2. Mechanics and Farmers Bank

- a. A foremost Negro business enterprise
- b. Headed by C. C. Spaulding, a leading Negro financier
- c. The bank showed its strength when it was recently robbed
- d. Statement of the Mechanics and Farmers Bank

3. Citizens Trust Company of Atlanta, Georgia





- a. Founded and organized on the same principle as the Mechanics and Farmers Bank
  - b. Withstood a run on it in 1927
  - c. Demonstrated sound management
4. Industrial Savings and Prudential Banks, Washington, D. C.
- a. John W. Davis, President of Industrial Savings Bank
  - b. The bank has met with marked success
  - c. Establishment of the Prudential Bank
  - d. Its growth has justified the bank
5. Negro banks have been founded in a few northern cities
- a. Result of recent immigration of Negroes to the north
  - b. Negroes concentrate in large northern cities
    - 1. Chicago
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6. The Binga State and the Douglas National Banks of Chicago
- a. Jesse Binga, president of the Binga State Bank
  - b. Binga State Bank has grown rapidly
  - c. Summary of the bank's history, 1920 to 1928
  - d. The Douglas National bank is the only National bank owned by Negroes
  - e. Anthony Overton, its president
    - 1. Is the foremost Negro business man in the U. S.
    - 2. Is the head of business concerns worth at least \$25,000,000
  - f. Statement of the Douglas National Bank
7. The Dunbar National Bank, New York City
- a. Founded by John D. Rockefeller, Jr.
    - 1. A great economic experiment
    - 2. Has been successful so far



- b. The bank has filled a gap in Negroes' business structure in New York
- c. It has encouraged Negro Commercial business
- d. It has created positions for Negroes
- e. It has been paternal and helped in its transactions with the Negroes

## VII. Conclusion

- 1. Negroes have not succeeded in commerce and banking
- 2. Before 1865, a small number of free Negroes made some economic progress
- 3. After 1865, the Negro was handicapped through ignorance and unscrupulousness
- 4. The Freedmen's Savings Bank a colossal blunder
- 5. Future portends some good
  - a. Negro is becoming educated
  - b. Race relations are better





## I. Introduction

There are approximately 12,000,000 Negroes in the United States. Since slavery they have been a major problem in this fair land. So much concern have they caused that attempts have been made by both whites and blacks to bring about an exodus of the black man from his adopted home to his place of nativity. Yet, the Negro is American; more so than the majority and as much so as any who might sing, "This is my land, my native land."

Moreover, he is here to stay, for he is too much a part of this country to lose his identity with it; furthermore, he would be missed if he actually did hie himself Africa-ward or to some such other outlandish place. This fact, however, has not prevented the colored man from being looked upon as a foreign element which has been the buttress of hostility and ostracism since he first set foot on American soil. This hostility has come down through the centuries, and we find the American Negro today little better off as a result of it than he was a half century ago.

In no other field is the black man's plight more conspicuous than in that of business. Here, similar to every other field, he has been forced to build his own structure in spite of intense opposition on the part of many. Included in his business structure is the Negro bank. If we examine it, we shall probably obtain a fair picture of the black man's



ambitions, courage and honesty; also his indolence, ignorance and irresponsibility. Not only will this insight enable us to judge his economic but his social life as well, the two being so interwoven that one becomes as important as the other in any discussion in which either problem is treated.

## II. Commercial and Financial Activities by Negroes before 1865.

About a generation before the beginning of the Civil War, Negroes, designated at the time as "free persons of color" showed ability to accumulate and to invest money. Thomy Lafon, for instance, who had earned money in the dry goods business in New Orleans "loaned his money at advantageous rates of interest," and his business was so profitable that at his death he left an unusual estate valued at \$413,000.<sup>1</sup> Cyprian Ricaud, another wealthy Negro of this city, did a profitable real estate and brokerage business.<sup>2</sup> For this community the census of 1850 also reports that eight mulattoes were engaged in the brokerage business. These pioneers were generally regarded as skilful traders in money - business men of unusual ability. They inspired confidence to the extent that their less fortunate fellowmen had an abiding faith in their business judgment and entrusted their earnings to the safe keeping of these successful money lenders. Banking, then, among Negroes, crude as it may have been, had its

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1. The Negro in Business and the Professions, Vol.CXXXX,p.141:  
The Annals American Academy of Political and Social Science.
  2. National Freedmen, Vol.I, September, 1865, pp.266-267.



beginning with the pioneers who not only loaned their own money but also the savings of their fellowmen, which were entrusted to their care.

"Free persons of color" in other communities were also pioneering in the private banking field. In fact, many of these people were successful capitalists; brokers, business men and clerks before and after the Civil War.<sup>1</sup> None of these men, however, were engaged exclusively in the private banking business. Their business operations were many and varied - extending from the dry goods and grocery business to lending money and the safekeeping of funds entrusted to them. Nevertheless, the number of "free persons of color" engaged in commerce and finance was not large enough to serve adequately the pressing needs of the 434,495 "free persons of color" who were in the United States in 1850.<sup>2</sup>

As Negroes increased in number and importance, discussions concerning their general economic improvement followed in white as well as in their own circles. As early as 1851,<sup>3</sup> a convention was assembled in New York for the purpose of working out plans for improving the Negroes' economic status. At one of the sessions was made the report that Negroes had in the banks of Wall Street between \$40,000 and \$50,000 in savings. There were friends among the whites as well as leaders in thought among the Negroes who believed

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1. Harmon, Lindsay and Woodson: The Negro as a Business Man, p.42.
  2. Woodson: The Negro in our History, p. 245.
  3. Harmon, Lindsay and Woodson: The Negro as a Business Man, p.43.





that the economic condition of the "free persons of color" would improve by encouraging them not only to be thrifty but also to establish a savings institution of their own. To that end a recommendation was made in this convention that a "mutual savings bank be established among Negroes to encourage savings and thrift."<sup>1</sup>

Much interest was also evinced in the establishment of a banking institution in Cincinnati and Philadelphia.<sup>2</sup> Many Negroes of these cities had not only accumulated wealth and purchased property, but also boasted of the fact that they had Negroes who were working as bookkeepers and bank tellers in respectable business establishments.<sup>3</sup> Persons of both races thought that savings institutions ought to be established in the above mentioned cities for their general economic improvement. Still other reports were made in other communities which had practically the same objective. Especially was this true when labor or political conventions were called. Usually some session was given over to a discussion of the economic status of Negroes and "Ways and means" of improving their condition. These discussions were indulged in at length notwithstanding the fact that the political rights of Negroes-free men and slaves - were being questioned, debated and bitterly fought over by the pro-slavery and anti-slavery factions.

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1. Woodson: The Negro in our History, p.246.
  2. Woodson: Negroes of Cincinnati Prior to Civil War, pp.9-21
  3. Ibid.



With the Civil War impending and the question of continued slavery or freedom for the Negro occupying the thought and time of the people, little more is recorded concerning the economic improvement of the black man until 1864.

Such prosperous conditions as obtained for the "free persons of color" could not, however, be ascribed to the Negroes who were enslaved. Only a few instances can be found of enslaved Negroes who advanced economically beyond the general slave status. Habits of industry or thrift are not acquired or developed under the chains of slavery. Thrown out as he was into a highly organized economic society - poor and still dependent - the freed man in 1865 had enjoyed no opportunity for self development and had developed little if any sense of responsibility. Of him, Douglass wrote, "he had neither money, property nor friends - he was turned loose naked, hungry and destitute." In other words, the strong economic chain between master and slave had not been broken by the stroke of Lincoln's pen. Time alone can do that. The freedman, moreover, was still furnished food, clothing and many other necessities of life by his former master. The interdependent relationship between master and slave remained generally intact. The deplorable condition of the freedman constrained welfare associations and other organized groups

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1. Douglass: Life and Times of Frederick Douglass, p.459.





to lend assistance.

Another factor contributing to the general shiftlessness of the freedmen soon after the war was the erroneous impression which had rapidly spread that the government was giving to each head of a family of freedmen "forty acres and a mule." The freedmen heard that this gift was being made for the purpose of improving their economic condition. Beneficence of this sort, however, does not stimulate fine traits of character such as industry, thrift and responsibility.

### III. Establishment of the Freedmen's Savings Bank and Trust Company.

Negro soldiers in the Union Army had deposited sums of money in the military savings banks, which were established in the various army cantonments. Especially was this so at Beaufort, South Carolina, and Norfolk, Virginia,- two strategic army posts where Negro soldiers were assembled in large numbers. The soldiers at Beaufort had \$200,000 deposited in this bank at the end of the war; however, some of this, as was the case with large sums of money in other military savings banks, was unclaimed at the close of the War.

A. M. Sperry, paymaster in the army, conceived the plan of using the unclaimed deposits of soldiers in military banks to found a savings institution. Concerning this effort, it is not definitely known whether Sperry planned to solicit

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1. Harmon, Lindsay and Woodson: The Negro as a Business Man, p.47.



deposits from Negroes who were not still in the army. Later, John W. Alvord, another army official, planned the establishment of a bank which would merge the efforts of Sperry with his own in an incorporated institution for Negroes. For this purpose, some of the foremost men of the United States were called together at Washington, D.C., January 27, 1865, to discuss the advisability of prevailing upon Congress to incorporate a bank for the economic improvement of the freedmen.

Such a bank seemed to these leaders both necessary and opportune. Thus, we find the plans for the incorporation of the Freedmen's Savings Bank and Trust Company approved by Congress. It is reported that when Lincoln signed this act he said,<sup>1</sup> "This bank is just what the freedmen need." Section V of the act of incorporation of the Freedmen's Bank stated that "the general business and object of the corporation hereby created shall be to receive on deposit such sums of money as may from time to time be offered, therefor by or on behalf of persons heretofore held in slavery in the United States or their descendants and to invest the same in stocks, bonds, treasury notes and other securities of the United States."<sup>2</sup>

Thus, we find a bank organized, sponsored and operated for Negroes with governmental aid. At first it adhered to safe and sound banking principles. Two-thirds of the deposits,

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1. Fleming: Freedmen's Savings Bank and Trust Co.; Fleming's Documentary History of Reconstruction, I, p.319.
  2. Ibid.



for instance, would be invested in securities of the United States while the other one-third would be held on deposit or otherwise as an "available fund" for current needs. Another safe rule was that officers, trustees and employees would not be permitted to borrow from the bank. Still another was the requirement that the books would be always open for inspection by representatives of Congress. This last named requirement was substantially the same as a periodical audit, as is the custom in banks today.

Some of the most prominent men of the time were listed as incorporators. Concerning these men, Douglass said, "Some<sup>1</sup> did not give consent to the use of their names." Nevertheless, the fact that men of unquestionable character and unusual ability were advertised as incorporators together with the report that the United States Government protected the savings which were deposited inspired confidence and made easy the successful organization of the Freedmen's Savings Bank and Trust Company.

Much discussion was rife in Congress about limiting the territory in which the bank would operate. The promoters, especially Alvord and his associates, were determined to establish branches in most of the large cities of the United States. Others were equally determined to confine business to

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1. Fleming: Freedmen's Savings Bank and Trust Co., p.131.





the District of Columbia. At any rate branches were established in thirty-six cities among which were Atlanta, Baltimore, Jacksonville, Memphis, Richmond, New Orleans, Washington, D.C., Savannah, Philadelphia and New York. The last two named cities were the only cities north of the Mason and Dixon line in which branches were located.

The first officers of the Freedmen's Bank were William A. Booth, president, and John W. Alvord, corresponding secretary. Later, however, Alvord, who was unquestionably the moving spirit within the bank, became the president. One D. L. Eaton, who also became an important figure in the bank, served as actuary. Under this administration the bank prospered. New York was selected as headquarters and this seemed to have been a strategic move, for much of the savings of Negroes in New York was quickly deposited in this bank. Soon thereafter the efforts of army officers to continue the military savings banks were merged with the attempts of Alvord and Sperry to establish branches in these same communities. In short, success attended all of their efforts.

Several factors, however, tended to interrupt the progress which was being made from 1865 to 1870. They were both internal and external. First of all, a mammoth building costing \$260,000, was bought out of the savings which in the beginning had been retained as a reserve fund. Second,

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with the amendment to the charter, the officers of the branches who strenuously objected to sending the savings of depositors to Washington to be invested, were later permitted to invest most of the "available funds" in real estate in their own communities. This change permitted much speculation in real estate in their own communities. More than \$160,000 of the reserve fund was unwisely invested by the various branches. Third, the close connection between the Freedmen's Bureau officials who were growing in disfavor and the bank trustees worked a hardship on the bank.

The success of the bank up to this point was due mainly to the non-speculative type of business engaged in and the urgent need for such an institution on the part of Negroes. Very few Negroes, however, served as officials of the bank during the first three years of its organization. This was due to the fact that few, if any, Negroes had enough banking training and experience to qualify ~~them~~ as officers. Nevertheless, a few were employed as tellers and clerks. If success was due to a conservative policy on part of the bank's officials, gross irregularities and wild speculative schemes fostered by various inside rings and cliques <sup>the</sup> <sup>formed in the bank</sup> completely changed the color of affairs.

In the Freedmen's Bank at that time there were 61,131 depositors, a few of whom were white. It was rated as excel-

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1. Fleming: Freedmen's Savings Bank and Trust Co., p.136. In 1870 an amendment to the charter was secured by which one-half of the funds subject to investment might at discretion of trustees be invested in bonds and notes secured by mortgages on real estate and double the value of the loan.





lent by banking authorities. The total business done by this institution amounted to \$3,299,201. The branches in which \$100,000 or over was deposited were located in Baltimore, Maryland, \$303,947; Charleston, S.C., \$255,345; Louisville, Ky., \$137,094; New Orleans, La., \$240,006; New York City, \$344,071; Norfolk, Va., \$126,337; Richmond, Va., \$166,000; Savannah, Ga., \$153,425; Vicksburg, Miss., \$114,348; Washington, D.C., \$384,789. The branch showing the least amount in deposits was the one in Little Rock, Arkansas, with \$17,728.<sup>1</sup>

As Negroes gained training and experience, and after the many and irregular schemes of white officials had wrecked the assets of the bank, Negroes were engaged in large numbers as employees and given positions of trust on the board of directors and in official and advisory capacities. One "Daddy Wilson" who later became cashier at Washington was used and misused by whites as a figure-head. He served as a fine "buffer" for the whites to loot the bank. One Mr. Vandenburg, for instance, borrowed \$30,000 on the endorsement of the District of Columbia "boss". Jay Cooke and Company, financiers, borrowed \$500,000 at five per cent interest while depositors in this same institution were paid six per cent interest on savings accounts. Such banking practices are almost incredible.

The bank's growth had been especially rapid, too

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1. Harmon, Lindsay, Woodson: The Negro as a Business Man, p.48



rapid, in fact, for the corrupt and unprincipled officials to develop it into a sound financial institution. One-half of the branches which were established were unprofitably operated. Sufficient accounting with little or no check was followed by misappropriation of funds, and consequent withdrawal of honest and competent officials. Unwise loans and the exorbitant six per cent interest which was paid on savings were also contributing causes to the bank's failure. As one clerk put it, "When the cash balanced, all of us went out to celebrate the event."<sup>1</sup> There were, of course, many other causes but the most obvious was the audaciously planned schemes of the officers to fill their own pockets, to feather the nests of their business associates and friends who had formed cliques, rings and other combines for selfish gains.

And what is most lamentable is the fact that only a few of those who embezzled and defrauded the one time liquid assets of this bank were ever prosecuted. In fact, the defalcations were so numerous and widespread that it was difficult to secure a conviction in court. Soon the so-called "available funds" became unavailable. With frozen loans, real estate values still declining and the remaining money being used for political purposes confidence was soon destroyed completely. Runs on the deposits and ultimate insolvency naturally followed.

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1. Fleming: Freedmen's Saving Bank and Trust Co., p.57.



Thus we see a wrecked institution, the mammoth failure of the Freedmen's Bank, which at first did a splendid work. The white officials withdrew from it in large numbers and the leading Negroes were then called to save the lost institution. Even the efforts of a financial genius could have availed little at this time. In March, 1874, Frederick Douglass, untrained for such a task, was made President. He admitted he had no banking experience but accepted because he thought that his influence would tend to restore confidence. Then, too, he was assured by the outgoing officers that the bank was in a sound condition. When, however, he learned the true condition of affairs, he reported the matter to the Chairman of the Senate Committee on Finance and expressed also his regret that he had been connected in an official way with the bank. Nearly three million dollars in deposits<sup>1</sup> were involved in this failure.

Commissioners were appointed by Congress to liquidate affairs and to establish a new organization. The bank officially closed June 28, 1874. Subsequent disagreement among the commissioners and difficulties encountered in closing out the accounts without pass books made their tasks extremely difficult. Their work, however, resulted in the depositors<sup>2</sup> getting back forty percent of their savings.

Summing it up, we must say it was a colossal attempt

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1. Fleming: Freedmen's Savings Bank and Trust Co., p.101.  
 2. Ibid., p.121.





and a colossal failure, a costly experience not only for the Negro leaders who were inefficient and untrained, but more especially for the depositors, some of whom never received, either from ignorance, misfortune or death, the forty per cent which was repaid. Two investigations were started, one by the Douglass Committee in 1876 and the other by the Bruce Committee in 1880, to lay the real facts before Congress. If they fulfilled no other mission, they established the fact that the United States Government, partly responsible for the Negroe's faith in the Freedmen's Bank, had an equal responsibility in seeing to it that the depositors would not suffer actual losses at the expense of the government to which they owed allegiance.<sup>1</sup>

#### IV. Efforts of Negroes to Establish Private Banks.

This gigantic failure generally dampened the ardor and desire of Negroes to invest their savings anywhere. Their confidence in the United States Government as well as in white and Negro leaders also waned. This attempt at a bank had been so widespread and so monstrous that few, if any, private groups attempted an organization from 1864 to 1874. More than a decade passed before confidence was even partly restored.

Nevertheless, the Capitol Savings Bank of Washington,

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1. R. H. Rutherford: Washington, D. C.



D. C., was organized on October 17, 1888. This, the sources show, was the first private bank opened and operated for business by Negroes in the United States. It began with a capital of \$6,000, which was subsequently increased to \$50,000 during the sixteen years of its existence.

This institution weathered the storm of the panic of 1893 and did a thriving commercial banking business for several years. It was a commendable start, serving the financial needs of the people, and making with its headquarters on F Street a fine impression on the many people who looked at Washington as the mecca of Negro finance and education. Little more can be learned about this bank. Then, too, some persons who were closely associated with this institution are loathe to assign the real causes for its failure. Nevertheless, the consensus of opinion is that there was three main reasons why this bank failed in 1904: long time and unprofitable commercial loans, bringing about frozen assets; financing speculative schemes of officers; but mainly the misappropriation and looting by one of the high officials.

We have examined the part Negroes played in banking from a generation before the war between the states to the beginning of the present century. Broadly speaking, the black man's attempt at finance in general and banking in particular offer a sad picture. Primarily, his failures were

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1. Harmon, Lindsay and Woodson: The Negro as a Business Man, p.54.
  2. Ibid., p.55.





due to ignorance, irresponsibility and gullibility on his part, while those who should have assisted him were either indifferent to the Negro's success or interested primarily in fleecing him. With such a background in business, the Negro entered the new century in an exceedingly unsatisfactory position in the world of finance and banking.

#### V. Banking since 1900.

At the close of the Civil War the freed blacks were at least as much a problem in the war-stricken South as was anything else. Especially was his economic status low. With one fell swoop he entered the labor mart as an equal competitor of the white man, thereby intensifying the dreadful industrial situation. The main result of these freed blacks entering the free labor market was an immediate hostility demonstrated against him by the whites. They were prevented from earning a living; they were the lowliest creature in the lowliest part of the nation. Although the Proclamation of Emancipation and the fourteenth and fifteenth amendments had given the black man freedom and citizenship, they were not powerful enough to eradicate the customs and ideas of a community which has always maintained the system of superiority of white over black.

Since 1900, however, a revival of interest in the establishment of commercial and savings banks is noted in every section of the country. Thrift and home ownership



dominated the program of most of these banks in the beginning. This encouragement to save and to buy property had a helpful influence on the general progress of the Negro in every community where a bank was established. Concerning them,  
<sup>1</sup>  
 Booker T. Washington wrote:

"In recent years I have had the privilege of visiting nearly every one of the communities where Negro banks are located, and I can state without exaggeration that I have not found a single one of them that did not have the good will and support of the white business men of the communities in which they are located."

Many of these banks were established in large Southern cities where such a favorable situation was not generally expected. The unfair banking practices along with the general discrimination heaped upon Negroes, however, necessitated the organization of banking institutions of their own. Negroes had learned that credit would not be extended to them on the same basis on which white men could procure it. They experienced also the calling of their loans, the foreclosure of their mortgages and the inability to obtain credit at the very time when their loss meant some white creditor's gain. The rapid success of these banks as gleaned from their financial statements bespeaks the service which some of them have been to the Negro race in their respective communities. In so short a time institutions could not make such deep and worth while impression in the business and financial world were they not of unques-

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1. Washington, Booker: The Story of the Negro. Vol.II, pp.231-33.



tionable service to their respective communities. It may be well to indicate the service which the most representative of these banks rendered.

In the case of the Wage Earner's Savings Bank which was established in 1900 in Savannah, Georgia, with an authorized capital of \$50,000, the writer is personally acquainted with some of the founders and directors. Negroes of this city were proud of the banking progress which these leaders made in this institution. At one time there were about 18,000 depositors, most of whom were agricultural and industrial workers. There were twelve employees in this bank some of whom had received specialized business training. For over twenty-five years this bank served a pressing need in this community and was the inspiration for the establishment of three other banking organizations in the same city. Practically one-half of the loans which were made were of the commercial type, most of which were due after the customary three months period. Large investments of funds in real estate, farm and long term loans brought about frozen assets. Its failure was quickened also by the inability of the bank to collect many of the commercial loans which were not made on the sound financial condition of businesses requesting credit but on friendship.

The Solvent Savings Bank and Trust Company of Memphis, Tennessee, was the first bank owned and operated by Negroes





with deposits over a million dollars. It had its birth in 1906 when the late R. R. Church, a former Negro political and financial leader, and his associates saw the need for such an institution in a large and thriving Negro community. Negroes welcomed it. A careful study of the following statement will reveal the extent to which it made a favorable impression in Memphis.

Statement of Financial Condition of the Solvent Savings Bank  
And Trust Company

November 15, 1920

Loans and discounts	\$475,617.49	Capital stock	
Overdrafts	None	paid in	76,520.71
Bonds and stocks and		Surplus fund	None
warrants	545.50	Undivided prof-	
Banking house	12,190.00	its less ex-	
Furniture and fixtures	11,005.90	penses and	
Other real estate	18,557.60	taxes paid	<u>16,647.54</u> 93,168
Actual cash on		Individual	
hand . . .	27,455.91	deposits	
Due from banks		subject to	
and bankers		check . . .	\$327,429.37
(on demand)	345,368.62	Demand certifi-	
Exchanges for		cates of	
clearing		deposit	None
house	<u>9,935.74</u>	Due banks	
	382,760.27	and bankers	
Due from banks and bankers	63,644.79	on demand	None
(not on demand)		Cashier's checks	4,033.22
Checks and cash items	1,388.23	Certified checks	559.00
Cash items in transit	139.00	Due to clearing	
Customers' liability under		house	None
letters of credit	None	Unpaid	
Customers' liability account		Dividends	<u>1,079.34</u>
of acceptances	None	Total demand	
Other resources:		deposits	333,100.93
War Savings Certificates	2,853.68	Savings	
U. S. Bonds	137,700.00	Deposits	517,534.02
U. S. Certificates of credit	<u>30,000.00</u>	Time Certifi-	
		cates of	
		deposit	<u>192,599.26</u>
		Total deposits	<u>1,043,23</u>
Total	1,136,402.46	Total	1,136,40



The Solvent Bank had an authorized capital of \$100,000, more than three-fourths of which was paid in. There were, in 1920, about 20,000 Negro men and women who had entrusted more than a million dollars of earnings to this bank. It specialized in commercial loans, eighty per cent of which were made for longer than ninety days. Unprofitable farm loans were also made, more than twenty per cent of the working capital being tied up in this type of loan. But perhaps the most serious mistake this bank made was to permit officers and directors to borrow, on scanty security, large sums of money for the purpose of promoting their own commercial ventures and financing other hazardous schemes and contrivances.

This institution enjoyed for twenty years the confidence and good will of the entire community. It served, too, as the inspiration for the establishment of the Fraternal Savings Bank which later figured conspicuously in the business and commercial life of Negroes in this same city. No other Negro community could boast of having two banks as well established as did Memphis from 1910 to 1920.

A genuinely friendly banking rivalry, as is sometimes helpful, existed between the Solvent and Fraternal Banks, and in 1920 the two institutions were merged which fact portended a more formidable banking institution which would better serve the community and in turn assure itself of strength and success. Unhappily, as has been the case in practically every Negro



bank, the Solvent Fraternal Savings Bank and Trust Company closed its doors in December, 1925, marking the most disastrous Negro bank failure of all time. Suffice it to say that the grossest irregularities, wholesale and almost incredible instances of insufficient and unsecured notes - misappropriation and other unsound banking practices brought about the failure of the first Negro bank which had reached the point of having a million dollars on deposit.

The first effort at banking in Atlanta, Georgia, was a savings institution established by Mr. J. O. Ross. Before the business could be well on the way to prosperity, he worked out a novel scheme of his own. He believed that instead of lending the money of the bank to other people he could use it himself and thus make large profits for himself and family. Working towards this end, he established a chain of stores called the "United Commercial Exchange". This new venture brought in some capital obtained by the sale of stock, which together with that of the funds of the bank was used unwisely. Endeavoring to make his business a self-sufficient chain of institutions, he used some of these funds to buy farms to supply vegetables for the stores and other such things as the stores might handle, each one being taken care of by a special company established for the particular purpose in mind. The illegal loans, however, together with the oncoming depression and small returns from these numerous investments,





brought failure to these enterprises at the end of about two years, and Ross absconded. That such criminal practices had been indulged in was due to the fact that the officers in charge were inexperienced men who knew nothing about conducting an institution of this sort and depended almost entirely on Ross. One of these officials had not developed in life higher than that of a janitorship at one of the local colleges. The bookkeeping was deficient as is evidenced by the failure to provide for daily balancing of individual accounts.

A few more banks have been closed for similar reasons. They were smaller in size, in importance and in the extent of service which they rendered. Attention must be directed here to the number of banks which essayed the commercial rôle, a few of which have succeeded but the majority of which have failed.

The writer has been privileged to visit a number of large cities where Negro banks are operating and has studied the financial statements of many of the banks which have not been visited, and he is convinced that there are not more than a half-dozen banks owned and operated by Negroes, which are actually making even ordinary banking profits by specializing in commercial loans. The banks serve a useful purpose in promoting thrift and home ownership, but this is not commercial banking in the true sense of the word. Commercial



banks need the support of profitably operated business enterprises. And it must be admitted that up to this time a sufficiently large number of well established businesses among Negroes are not found in many cities.

The history of the black man's attempts at commercial banking offers, generally speaking, a sombre picture. The usual method of organizing a bank is for a few Negroes to organize a company the express purpose of which is to sell stock in order to secure the proposed bank's capital. The organizers, of course, comply in every way with the state laws affecting banks and banking; in fact, some of these pioneers sacrifice every cent they have in the world to put the bank over. The stock is sold on the instalment plan to every cook, porter, washwoman, boot-black -- anybody who will purchase it. If its value is \$100 per share, about one-fifth or \$20 is accepted as the first payment, the remainder being paid for at the rate of about \$10 per month. This part-payment plan is itself wrought with many difficulties for the organizers and embryonic bankers. It takes so long to secure enough money to meet the requirement as to the amount of capital a bank must have before it can open its doors, that the plan is liable to be abandoned in the meantime. It requires much exhortation and cajoling on part of the organizers to keep the stockholders interested and to collect the monthly payments. This is a most tedious task, for I know



many Negroes, who, after having paid as much as \$50 in such a project, will not pay the remainder; instead they are willing to lose what has been paid in order to buy new clothes, to take a trip back home - a thousand things which are comparatively unimportant. It can be safely estimated that out of one hundred undertakings of this sort, ninety five fail to materialize due mainly to the irresponsibility of the people. This irresponsibility does not rest with the stockholders alone but in many instances, the organizers are guilty as well. One or more of the organizers will be entirely unscrupulous like our Mr. Ross whom we mentioned above, and will wreck the plan through their acquisitiveness long before maturity. Negroes have been fleeced so many times by fake schemers that it is next to impossible to interest the average one in even the most legitimate and sound proposition. And I might state here that this accounts in large measure for the average black man having more confidence in a white man than in his own people. Yet, there are many sound and capable Negroes who do succeed in putting over worthwhile projects.

If the organizers are successful in securing the necessary capital, they then open their bank in the heart of the Negro district in the city in which it is located. This event usually brings forth extolling of the great deeds of the founders of the institution in particular and of notable





Negroes in general. Everybody is happy and success is predicted by all present. The tremendous emotional qualities of the Negro are carried to the extreme on such an occasion.

If we examine the personnel of our bank, we shall find that the president is a successful real estate operator, the vice-president, treasurer, and cashier, have had little business let alone banking experience, while the directors are to the man physicians, lawyers and ministers, most of whom do not know how to figure the interest on a ninety-day note. Such ignorance obtains only where state banking laws are lax; it could not exist in New York where the state banking laws as to paid-in capital and personnel are very stringent. I know of at least three instances in which Negroes failed in attempts to open a commercial bank in New York City, solely because the proposed officials of the bank were unsatisfactory to the state banking superintendent in business qualifications and banking experience.

However, the banker is not any worse than the depositors. They are usually ignorant laborers who make small deposits from one to ten dollars per week - not as savings but as commercial accounts. If these depositors would permit their accounts to grow, the banker could probably make a sound plan for investing the bank's funds; instead his customers withdraw their deposits so often that it is really



impossible to make any safe predictions over a period of time as to how much of the bank's deposits can be employed in the purchase of bonds and other securities.

I was employed in 1927 as clerk in the Harlem branch of the Chelsea Exchange Bank (white) of New York City. My position afforded me a wonderful opportunity to study Negro depositors since ninety per cent of the bank's customers were colored. We might divide these depositors into three classes: the tradesmen, the wage earners, and those who were occupied in illegal activities. The first mentioned group consisted of a few small electrical and plumbing contractors, undertakers, notion store owners, proprietors of bootblack parlors, beauty parlors and barbers. Conspicuous by their absence were factory owners, proprietors of merchandise or department stores. In all of Harlem in which there are at least 225,000 Negroes not one shoe store is owned by a colored man. All such businesses are operated by Jews and Italians who make a huge profit by selling in small quantities to an impoverished clientele. These Negro tradesmen are the bank's worse customers. They are constantly in hot water with the bank for overdrawing their accounts which must be \$200 or more on the last day of every month. In fact, the Chelsea Bank earns at least \$10,000 per month from those accounts which are less than \$200 at the specified time. In addition, these small Negro traders are forever trying to borrow from the bank when their security and business records make it quite impossible for any sound



banker to grant them a loan. This, of course, creates ill-will in the community and the bank is accused of discriminating against its Negro customers. The bank as a result loses some of its good will and a few no good depositors.

The second group of depositors are the wage-earners. This is by far the largest since practically the entire Negro population in Harlem is in this class. The wage earner, when and if he saves, puts his money into the savings department of the bank. They are constantly withdrawing their deposits especially at Christmas time or any holiday season, the feeling being that savings as a permanent thing for old age or illness is not to be considered. One can draw no other conclusion if one bases one's findings on the actions of these depositors.

The third class is the most prosperous. It is composed of so-called policy kings, specifically known as Number bankers (a lottery game based on the daily clearings and balance in the New York Clearing House) cabaret owners and bootleggers. These illegitimate people prey on the rest of the community as an eating cancer; they cause untold misery and debauchery by robbing the gullible and ignorant Negro of the few dollars which he has for food, shelter, clothing and savings. Conservatively estimated \$2,000,000 per day go for the upkeep of the lotteries, bootleggers and cabarets in Harlem. I used to count daily the silver and bills deposited by one of the most notorious Number bankers and it never was less than \$7,000.





Imagine this amount of money going to one man daily as illegal gain from the most dependent class in a community! If we multiply this figure by three hundred we have the correct amount. The banker naturally accepts these deposits and is most courteous to the depositors, for they <sup>keep</sup> ~~represent~~ huge balances at the end of each month and never want to borrow from the bank.

It might be well to state here that the Chelsea Exchange Bank, like practically every bank operated by whites, does not attempt to assist those Negroes who are actually trying to succeed. This is the only bank in the heart of Harlem, located at Seventh Avenue and 135th Street, and it receives a tremendous amount of deposits in a year. All of this money is transferred downtown to the home office where it is loaned to white customers. Broadly speaking one cannot condemn the Chelsea Bank or any other bank for not granting loans which are not one hundred per cent sound, especially when there are safe ones which can be made just as easily. However, the problem goes deeper than this. The Negro is entirely untutored in the business world; he is historically not a business man. Therefore, he offers a wonderful opportunity for service on the part of those who deal with him; especially can his banker attempt to assist him with his financial affairs. It would be an easy matter for the vice-president in charge of the Harlem Branch of the Chelsea Exchange Bank to use his high



office as a means of teaching the earnest and honest Negro tradesmen how and how much to borrow, and the many other things which a banker can do for his customers when he knows them and when they know him. This attitude on the part of the banker would, in the long run, assist in building up confidence, courage and ambition in the real ~~honest to goodness~~ Negro merchant. The existence of such spirit would also be of advantage to the bank.

The Negro banker has the same problems with his depositors as does the white banker. The difference lies in the fact that he must take the paternal attitude stated above towards his customers if he expects to do any business at all. The minute a colored banker becomes too strict with his depositors relative to loans and balances, and the banker is almost always justified, they will immediately heap criticism on him. Adverse criticism is bad for any business, but for a Negro business and especially a Negro bank, it is ruinous. This is due, of course, to the utter lack of racial confidence and solidarity among Negroes. In fact, it seems to cause some undue happiness when an apparently successful colored man fails in business or in anything else. This levelling characteristic has negated racial progress since slavery from which it is alleged to have sprung.

If the average Negro banker ~~was~~<sup>were</sup> as capable as the average white banker, he might be able to overcome criticism and to



manage his bank to the satisfaction of his customers and stockholders. He is not. This is clearly brought out in the history of practically every Negro bank in the country: when it opens its doors for business, only a comparatively small number of people deal with it. This is due, no doubt, to lack of complete confidence in the new enterprise. In about a year or two the people will have become accustomed to the new bank, which has worked hard to attract customers. In the meantime, the banker has been barely eating regularly, since his time and money is in his bank. If the bank finally "takes" in the community, the banker will, all of a sudden, find his business increasing by leaps and bounds. He will become exceedingly popular and will be looked up to as the champion of the community. Instead of having to worry where he will get his next meal from, he will have to devote all of his thoughts and time to the problem of wisely investing the bank's money.

This period in the bank's development marks the beginning of its downfall. There are no commercial depositors listed in the bank's books; small wage earners, a few professional men and real estate operators are its only customers. Since every banker knows that money left idle in the bank's tills is money loss, he tries hard to find some place where he can safely invest the bank's funds. Indeed, this is a difficult task, for only two or three Negro banks employ up-to-date methods in securing statistical data on the bond or





investment market. Nine out of ten of the investments made by these bankers are speculative in fact though they are investments in name. In addition to making these speculative investments in bonds and other securities, the banker is besieged from every angle by would-be schemers who are trying to "make" a million without working for it. These schemers can be divided into two classes: wild-cat stock promoters who are bent upon organizing some enterprise of which the organizers know absolutely nothing and wild-cat real estate operators. I know a Negro banker who had met with a reasonable amount of success in Philadelphia managing a small commercial bank. He soon became impatient with earning a decent livelihood and set out to "make" millions. He employed the bank's money in purchasing and building theatres in the Negro districts in New York, Philadelphia, Baltimore, Washington and Norfolk, Virginia. In two years after he attempted to operate these amusement palaces, of which he was entirely ignorant, he had actually pawned his bank, customers and all to his creditors. Needless to say, the crash came, leaving in its wake the usual sad stories of destitution in the Negro race which is of all races least able to stand it. Chiefly though, as a means of dissipating and tying up the bank's funds is the investment of the deposits in real estate. This is by far the one business in which the Negro has devoted a great deal of his time, and today he has practically three-fourths of his wealth (what little he has) in real property.



It is to be expected then, that Negro bankers are sought out by realtors for loans. In fact, the banker is most likely to be in the real estate business himself. These Negro bankers and realtors usually purchase property on the shoe-string plan, putting in very little cash, thereby taking title to heavily mortgaged parcels of land and buildings. The difficulty arises when the interest and principal must be paid at stated intervals on the mortgages. In most instances, the property has been purchased at an exorbitantly high price, the seller knowing before-hand that the buyer cannot possibly meet the requirements as to payments. In such instances, the buyers are nothing but glorified janitors of the property, in fact, though owners in name. The bank, of course, is the first place the hard pushed realtor runs when a mortgage is due and he has no cash with which to meet it. Usually, the realtor is a personal friend of the banker and a depositor as well. The banker, having money lying idle in the bank's vaults, will listen intently to his customer. Furthermore, the banker will contemplate <sup>in this manner</sup> ~~thusly~~: if I do not grant John Jones a loan, he will probably become angry, draw out his account and <sup>criticise</sup> ~~knock~~ my bank to his friends. Then, too, he has always been a good customer with a fair balance. The stockholders judge me solely by the dividends I am able to pay them and if I do not declare a dividend at the end of the fiscal year, they will begin to lose confidence in me. Jones is an honest man and I know he will do his



level best to make good his obligation to the bank. Jones gets the loan. Many more Joneses secure loans in exactly the same way and for exactly the same purpose, tying up the bank's funds in bricks and mortar, for every time such loans are made and for such purposes, the bank's funds are irretrievably lost. Of course most of the borrowers try hard to meet their notes at the bank when due, but you cannot get blood out of a turnip, neither can you get profits out of a house or piece of land when the expenses entailed therein are greater than the income therefrom. The borrowers come regularly to the banker with their hard luck stories as to why they failed to meet the notes on the due date. The banker is helpless and is at the mercy of whatever event fortune will blow his way. If times are prosperous and the depositors are employed, they will continue to put their savings in the bank. The banker, in the meantime, is trying frantically to put his financial house in order by cashing in any liquid securities he might have in his ~~consols~~<sup>vaults</sup> and if he falls short of adjusting his cash on hand to the deposits in the safe and proper proportion, he will then try to borrow from some white banker. In some instances, he is successful, especially if he is well thought of in the community and a friendly feeling exists between him and his white colleagues. However, it is usually difficult for a Negro banker to determine just how well he stands with the white bankers until he goes to them to borrow money. In fact, he wisely considers such action as his





last port in his financial storm. If the banker is finally successful in his attempt to ~~reorder~~<sup>regain</sup> the financial strength of his bank, he will have learned a tremendously valuable lesson and will try hard not to flirt with failure in the future. This he finds exceedingly difficult to do, for the same problems and conditions are forever present.

If times are bad and a large number of Negroes are unemployed throughout the city, the banker has no possible way to escape failure. In any industrial or financial depression the Negro is the first one to lose his job as a result. Always, he is the last to be hired and the first to be fired. And when he is fired what little savings he might have entrusted to the safe-keeping of the Negro banker he will need immediately, for he exists constantly on the ragged edge of economic dependence. The banker is besieged by his customers who clamor for their money. The money is tied up in unsound and unsalable securities and in real estate. The entire picture is one of extremely unhealthy business and banking malpractice. The bank is taken over by the receivers and another chapter is written in Negro commercial and banking history with Failure as the title.

In addition to unemployment, many Negro banks whose funds were tied up in real estate and other frozen assets, have had to close their doors as a result of seasonal demands for cash on the part of their depositors. Especially has this been the case at Christmas time when a desire to spend



pervades the nation more so than at any other. This urge to spend and to make merry seems to imbue the Negro more than anybody else and if he has any money saved, he is certain to withdraw it at least a week before Christmas. I am acquainted with a former Negro banker who did business in Baltimore, Maryland, and who unwisely tied up the bank's funds in real estate. Even though the country, including Baltimore, was enjoying healthful economic conditions, the depositors withdrew so many accounts from the bank during the Christmas season that it was forced to close its doors. This only goes to prove that a bank, through its banker, is the financial barometer of a community and must be prepared in good times as well as in bad to meet any drain which might be placed on its resources.

#### VI. Outstanding Negro Banks in the United States.

It is remarkable that in spite of all that has been said and done a few Negro banks have lived and others have sprung up to carry the work forward. For example, the Citizens Savings Bank and Trust Company of Nashville, Tennessee, recently observed its twenty-five years of banking success with a celebration called a "Silver Jubilee" on January 16, 1929. The officers of



the bank are all successful men of unimpeachable character and are highly thought of by both white and black. W. J. Hale, one of the vice-presidents of the institution, was awarded the Harmon prize for 1929 in recognition of his leadership in the Negro business world.

CITIZENS SAVINGS BANK AND TRUST COMPANY  
NASHVILLE, TENNESSEE

Statement as of November 24, 1928

<u>Resources</u>	<u>Liabilities</u>
Loans and Discounts.....\$169,372.36	Capital Stock paid in,
Overdrafts.....517.20	and Undivided profits,
Bonds and Stocks and Warrants... 52,650.00	less expenses and
Judgements.....513.00	taxes paid.....\$52,482.87
Furniture and Fixtures.....11,109.58	Individual Deposits
Other Real Estate.....29,100.00	subject to check..... 97,567.81
Actual Cash and Due from	Christmas Checks..... 151.29
Banks and Bankers..... 37,674.42	Overdrafts..... 517.20
Checks and Cash items..... 2,778.07	Cashier's checks..... 376.55
	Certified checks..... 197.98
\$ 303,714.63	Unpaid Dividends..... 107.96
	Savings Deposits.....138,963.37
	Time Certificates on
	Deposit..... 13,350.00
	\$303,714.63

The Mechanics and Farmers Bank of Durham and Raleigh, North Carolina, the only Negro bank in the country with a branch, is the outgrowth of the large amount of cash and capital amassed by the men who successfully promoted the North Carolina Mutual Life Insurance Company, a Negro enterprise which is nationally known for its success in handling another ticklish phase of Negro business, insurance. The guiding hand of its president, C. C. Spaulding, has been long seen in the progress of





the bank. The corporation commission of North Carolina highly regards this bank as a safe and conservatively managed institution. It serves as a depository for the large number of worthwhile Negro business enterprises in Durham and also in Raleigh where the branch is maintained.

A recent experience may tend to show the real strength of this bank. In January 1929, the Raleigh Branch was held up by robbers who managed to get away with a considerable amount of cash. Although insurance covered this loss, President Spaulding immediately brought from Durham many thousands of dollars in cash and marketable bonds so as to ward off any run that might have been occasioned by the rumor that the bank was robbed and consequently short of funds. In the South where banking laws and practices are comparatively lax, such action as was taken by the head of the Mechanics and Farmers Bank was quite commendable.

MECHANICS AND FARMERS BANK, DURHAM AND RALEIGH,  
NORTH CAROLINA

Statement as of December 31, 1928

<u>Resources</u>	<u>Liabilities</u>
Loans and Discounts.....\$538,756.47 Overdrafts.....969.76 Stocks and Bonds (including U.S. Liberty Bonds).....33,388.50 Banking House, Raleigh, N.C.....43,638.90 Furniture and Fixtures.....29,766.21 Other Real Estate.....18,862.64 Cash in Vaults and due from Banks and Bankers.....92,943.64 All other resources.....381.80	Capital Stock, paid in..\$113,725.00 Surplus.....15,500.00 Deposits Subject to Check.....257,056.76 Certificates of Deposit 65,421.91 Savings Deposits.....250,961.17 Cashier's Checks, outstanding. 6,516.21 Certified Checks, out- standing.....1,128.54 Dividends Checks, out- standing.....116.00 Bonds Borrowed.....10,000.00 Bills Payable.....38,282.33
Total.....\$758,707.92	Total.....\$758,707.92 Resources of the Raleigh Branch bank, included in above.....\$177,895.01

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2  
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1

2

The Citizens Trust Company, of Atlanta, has been operating since 1921. It is the outgrowth of the Standard Life Insurance Company, a Negro enterprise, started in 1915 by Heman Perry, a leading colored citizen of Atlanta. This bank is notable because of the public hostility and financial difficulties it withstood as a result of the failure of the insurance company. The failure of the latter precipitated a steady withdrawal of deposits and led to common gossip that the bank was so interrelated with the insurance company that it was going to close. In all the history of Negro banking no institution withstood the financial drain and psychological pressure as did the Citizens Trust Company. Through all of its evil times no "Time Notice" was put on savings accounts, and every other demand was met. This was due mainly to the cooperative spirit shown by Mr. Spaulding of the Mechanics and Farmers Bank of Durham. Mr. Spaulding did in this instance what the Negro has not, in many cases, done before: he loaned the Citizens Trust Company a sufficient amount of money to tide it over its trying period. Atlanta and Durham are the two leading Negro financial centers in the South. The Citizens Trust Company and Standard Life Insurance Company in the former and the Mechanics and Farmers Bank and North Carolina Mutual Insurance Company in the latter city control a large share of the banking and insurance business



among Negroes from the South Atlantic Coast to the Mississippi River. Each of these centers of finance have<sup>S</sup> succeeded in building up confidence among the Negroes and ~~are~~<sup>is</sup> capably managed. The attitude taken by Mr. Spaulding when he came to the rescue of the Citizens Trust Company was that of maintaining confidence throughout the entire Negro commercial and insurance field. The result of this spirit was seen in the final reorganization of the Citizens Trust Company. This was effected in September, 1927, when a 100 per cent stock assessment was levied and collected. This action eliminated old stockholders who had not paid the assessments and also gave the institution a new financial start under the control of the National Benefit Life Insurance Company of Washington, D.C., the latter being a subsidiary, through stock control of the North Carolina Mutual Insurance Company of Durham. Thus, through cooperation and confidence one of the leading Negro banks in the South was saved. It is useless to state here how much this meant not only to the bankers in Atlanta and Durham but to the hundreds of ignorant Negroes who had trusted their all to the safekeeping of the Citizens Trust Company.

Two banks in Washington, D.C., deserve mention here. The first of these, the Industrial Savings Bank,





was opened for business over fifteen years ago with deposits then of \$2,235.40. John W. Lewis, the founder and first president, was an unusual character, truly remarkable for his ability to organize men and money. With an all too little school training, he had a natural talent of high degree for commercial and high financial developments. He associated in opening this bank with a group of men from the ranks of laborers and mechanics, and no other organization has been more generally recognized as the "Bank of the People." The last report to the Comptroller of Currency on December 31, 1929 shows \$530,260.86 in deposits.

The steady growth of the bank has so impressed the stockholders that a regular campaign has been launched to increase the deposits to a million dollars and thereby increase the power of the bank for service in the field of thrift and industry.

Desiring to provide additional facilities of credit for the increasing number of Negro business men in Washington, another group of enterprising men in this city set out five years ago to establish a commercial bank. They met with the same sort of discouragement which other such efforts encountered, nevertheless they labored earnestly until they raised sufficient capital to meet



the requirements of the law for financial institutions of this type and opened the doors of what is now the

Prudential Bank under United States Government supervision. Since then, its history has been an upward climb until it is now pointed to as one of the important assets of the race. \$92,320 of \$100,000 capital stock allowed has been paid and \$8,015 of the remainder subscribed for. The deposits have increased from \$43,000 the first month to \$461,108.56 in February, 1929. The surplus has increased beyond \$12,000 and the management is making a strenuous effort to bring it up to \$25,000 in a year's time. Mr. John R. Hawkins, a man with wide and ripe business experience and Financial Secretary of the African Methodist Episcopal Church, is the guiding spirit of the Prudential. He has enjoyed a very successful career and has succeeded to a great extent in giving to the Negroes of Washington a financial institution which is sound, active and efficiently managed.

The South is the natural and native home of the Negro. Here his social and economic battles must be fought in the main and here his success as a race must be determined. The surface has not been scratched sufficiently to make any safe predictions as to the future. The Negro, only 65 years removed from legal slavery and not yet far removed from virtual slavery, has a tremendous task ahead of him if he expects to go up the ladder to



success. Nevertheless, such men as Spaulding, Hawkins and Bowie see the light of day, and they are striving hard to steer the black man in the right direction. And, where there is sound and enlightened leadership, success is bound, in the end, to prevail.

The South, though it is the real home of the Negro, is not the only territory in which he has attempted to achieve commercial and financial success.

While the nation as a whole is about 50 per cent rural and 50 per cent urban, the Negro, specifically speaking, is still a rural dweller. Of the 12,000,000 black men and women in America, 8,000,000 live in the rural South. This, of course, accounts in a large degree for the slow commercial and financial development of the race. Nevertheless, in the last generation the Negro has turned cityward and now he numbers up to the hundreds of thousands in Chicago, Detroit, New York, Pittsburg, Philadelphia and Baltimore. The recent trek of the black man to our large urban centers has been nothing short of miraculous, and one does not have to look far to find the causes for this country to city movement. In the first place, the nation as a whole has tended to move to the city since the great industrial impetus which began after the Civil War. The Negro, affected less





than the white man by this movement, nevertheless began to increase his numbers in the cities in the North and South alike. Industry, the great god of present-day mankind, was the lure. But this was not the only reason. In fact, the main cause for this black exodus was segregation, discrimination, general hostility and lynching. The black man had no status in the South; whatever he accomplished, whatever he saved, was at all times at the mercy of the Southern white man. His life, his wife, his children and his land were forever in jeopardy. Before the World War, Negroes of all classes began to leave the South for the North where they could enjoy a certain degree of social, political and economic security. When the war came, this normal departure became a sudden hegira. Northern industrial centers like New York, Chicago, Detroit, etc., became over night meccas for Negroes of every description. In 1910, the Negro population of New York was 80,000, today it is conservatively estimated at 250,000. Chicago as well as New York noted a similar increase in its black population until today it is estimated at 225,000.

As stated above, the white industrialist and financier failed to accept the colored man when he came North. Only to a lesser degree did he find himself burdened with the same financial and commercial handicaps,



which he had endured in the South for years. He had to go out and do for himself the same as he had attempted to do in the South - he had to build for himself an economic structure of his own.

The Chicago Negro has, without doubt, achieved more success in the fields of finance and industry than those identified with any other city. Here, Negroes are found working in all kinds of industrial and commercial businesses; in addition, they have become entrepreneurs themselves. Among the outstanding Negro enterprises in Chicago are the Binga State Bank and the Douglass National Bank.

The first mentioned institution, like practically every such undertaking, has been guided by the unerring judgment of one man, Jessa Binga, one of the Southern immigrants to Chicago. This bank was organized in 1920, and its progress reads like a story book. Especially is this so when we realize that the Negro has not become sufficiently urbanized, generally speaking, to grasp the mechanics of finance and commerce to an extent that will enable him to compete on an equal basis with other races. The following is a brief summary of the bank's history from its beginning in 1920 to 1928:





To the Board of Directors:

The Binga State was incorporated as a state bank in 1920 and began active operation as such on Jan 1, 1921. On that date total Assets and Liabilities amounted to \$282,003.54, Capital \$100,000, Surplus \$20,000.00, Deficit \$6175.00, Earning Assets \$81,974.49. The earning Assets were divided as follows: U.S.Govt. Bonds \$5950; Bonds and Securities \$40,000; Loans to Customers \$1359.40; Real Estate Loans \$34665. Total Deposits were \$156,003.54

#### CAPITAL

The bank began business with a paid in cash capital of \$100,000. It remained at that figure until 1924. In 1923 the stockholders authorized an increase of \$100,000. The entire increase was subscribed for by the old stockholders in record time and payment in full was completed by September 1924. During that month the Capital Stock was increased to \$200,000. which is the amount outstanding at present.

#### SURPLUS

The bank began business with a paid in cash surplus of \$20,000. In 1923 the surplus account was increased by \$5000 from the net profits of that year. 1924 the surplus account was increased \$10,000 more out of earnings bringing the total to \$35,000. 1925 surplus was again increased by \$10,000 bringing the total to \$45,000.00. At the end of 1925 the Total Capital and Surplus amounted to \$245,000., an increase of \$125,000 in 5 years. The present outstanding Capital and surplus amounts to \$245,000.

#### DEPOSITS

Jan. 1, 1921 total deposits were \$156,003; at the close of business Jan. 1, 1922 deposits had doubled to the amount of \$300820. 1923 we passed the half million mark with a total of \$580,150. 1924 showed a gain in deposits of \$400,000 bringing our total deposits to within \$50,000 of the million mark. 1925 brought the deposits over the million and each year thereafter has showed an increase of about \$100,000 a year until Dec. 31, 1928 total deposits amounted to \$1,475,000, almost 9 times the 1921 total.

#### EARNING ASSETS

In 1921 the total investments amounted to \$81974.49 consisting of figures listed in the first paragraph. Dec. 31, 1928 total earning assets amounted to \$1,282,260. consisting of the following items: U.S.Govt. Bonds \$35,000; other Bonds and Securities \$192,047; Loans and Discounts to Customers \$536,013; Real Estate Loans \$519,209.42. The 1928 figures were almost 15 times the 1921 figures. (Included in the loans to customers were items loaned to the directors for various amounts in accord with their requirements.)

#### OPERATING INCOME

The year 1921 was a truly remarkable one. Starting with a deficit of \$6175; earning assets of \$80,000.00 and deposits of \$156,000, the total operating income for the year amounted to \$21700. The deficit was wiped out, all expenses paid and there remained net profits of \$343.00. 1922 showed a total operating





income of \$35900. Each year showed a substantial increase until 1928 when the operating income reached the total of \$111,210. Total operating income for the period from 1921 to Dec. 31, 1928 amounted to the huge sum of \$636,960.

#### TOTAL INTEREST PAID AND EXPENSES

Total expenses for the first year as a state bank (1921) amounted to \$21360; 1922, \$29600. Each year showed an increase until 1927 when expenses touched the high mark of \$114,230. Total expenses for the period from 1921 to Dec. 31, 1928 amounted to \$541,350.00. That amount represents over one half million dollars paid out in salaries and every other form of expense and interest paid on deposits.

#### NET PROFITS

1921, the first year as a state bank, showed net profits of \$343.00; 1922 showed \$6300; 1923 showed \$17000; 1924 \$18040.00. 1926 showed the largest net profit for any one year \$21340.00. Total net profits for the period 1921 to 1928 amounted to \$101,380.

#### DIVIDENDS

The second year of its operation the Binga State Bank declared their first dividend at the rate of 6%. The first distribution was on a semi-annual basis and amounted to \$3000. The next disbursement was in 1923 at the rate of 7%, and amounted to \$3500. From then on there was an unbroken string of dividends to 1927 at the rate of 7%. Dividends were omitted in 1928 but resumed again in 1929 on an 8% basis. The Total amount of dividends paid out in the period from 1921 to 1928 amount of \$48500, equal to 30% on the average capital invested, or 4 1/5% per annum, which represents a yield in excess of the average stock on the market today.

#### BANK BUILDING

The Binga State Bank started out with a bank building valued at \$40,000. It was a combination office and bank building, the bank occupying the entire first floor. The business very shortly outgrew its quarters. The president with the aid of the directors planned and built the present home of the bank at a cost of approximately \$155,000 including the safety deposit vaults and equipment. The building is designed and equipped for banking exclusively and is the only building of its kind in the U.S. occupied by Negroes. The location is central, 35th and State Streets. The increased business is evidence of the wisdom in location. In 1929 the 35th St. Arcade Building was erected next door to the bank and partly combined with the bank building, affording the bank a 35th St. outlet. The erection of the office building and stores has had the effect of increasing the value of the bank building and centering the business of this section with the bank and arcade as the hub.



The above statements bring out clearly what one man can do when he gains the confidence of the community and at the same time conducts his business in a liberal, though discreet manner. Jessa Binga, though he worked hard for the bank's stockholders, realized that his depositors had problems peculiar to the Negro banking fraternity. He was not only the efficient business executive, he was and is adviser and tutor to hundreds of Negro business men, employing those qualities of imagination and humanitarianism which must be a part of every successful banker.

If the Negro can point with pride to the Binga State Bank, he can sing the praise of the Douglass National Bank to an even greater extent. So far, this institution represents the acme in Negro banking. It is the first and only National Bank owned and operated by Negroes and as such occupies a distinct position in the Negro banking world. Organized in 1918 as a State institution the Douglass National Bank took over its National charter in 1923, thereby becoming a member of the Federal Reserve System. Mr. Anthony Overton, in my opinion the foremost Negro business man in the United States, is the head of the Douglass Bank. Mr. Overton is the president of the Victory Life Insurance Company, (the only Negro insurance company doing business in New York State) the Overton Hygienic Company, and the Bank. Combined, these three businesses <sup>have assets of</sup> ~~are worth~~ at least \$25,000,000. The insurance





company operates in over half of the states in the union, providing employment for hundreds of Negro men and women and giving protection to thousands of Negro insurance risks. The Hygienic Company manufactures cosmetics, a very lucrative business among Negroes. Mr. Overton, who is conservative though visionary, has surrounded himself with a corps of well trained assistants, who have succeeded in accomplishing their tasks. This act by this really worthwhile Negro executive is in itself a departure from the previous practice of Negro business men who were unduly prejudiced against Negro college trained men and were satisfied to conduct their businesses in an antiquated fashion which too often has resulted in catastrophes.

The bank is considered by the majority of Negroes as Mr. Overton's biggest success. It is the only Negro bank with over \$ 2,000,000 in deposits, the greater part of which are purely commercial in character. Furthermore, the Douglass National has by law met every requirement which a bank must meet to become a member of the Federal Reserve System: it has paid-up unimpaired capital, a sound financial condition and efficient and honest management. Of course, the bank has purchased stock up to <sup>three</sup> ~~six~~ per cent of its capital in the Federal Reserve Bank of Chicago.

It is not to be inferred, however, that membership in the Federal Reserve System assures any bank of success





or that it is safe and sound, for as long as human beings are fallible, unscrupulousness, ignorance and acquisitiveness might, at any moment, dominate a hitherto unimpeachable character. Nevertheless, the Douglass National Bank has, by becoming a member of the Federal Reserve System, surrounded itself with the best possible safe-guards which American banking science has been able to evolve, and by so doing, has instilled ambition, courage and confidence in the hearts of countless Negroes throughout America.

After all, the direct good which comes to any institution through its own efforts <sup>is</sup> ~~are~~ small compared to the good it can do to mankind. One can only see a bright future for the Negro when one observes the race's achievements in a general way through its leaders whether they are captains of industry or finance, social or religious reformers. The success of the Douglass National Bank, I am sure, has been due to an awareness on part of its executives to all that has been said above, and, above all, to that certain closeness between banker and customer, which begets confidence, understanding, and a will to do. The following is the latest statement of the Douglass National Bank:

<u>Resources</u>		<u>Liabilities</u>	
Loans and Discounts.....	\$888,709.74	Capital Stock.....	\$250,000.00
Overdrafts.....	71.18	Surplus.....	60,000.00
U.S. Bonds and Securities.....	276,090.60	Undivided Profits....	9,216.66
Other Stocks and Bonds.....	323,433.73	Unearned Discounts...	2,964.82
Accrued Interest Due.....	41,264.13	Circulation.....	225,300.00
Real Estate, Furniture and		Deposits.....	1,458,779.83
Fixtures.....	367,260.18	Other Liabilities....	105,367.81
5 per cent Redemption Fund	12,500.00		
Cash and Due from Banks.....	198,702.74		
Other Assets.....	3,596.82		
Total.....	\$2,111,629.12	Total.....	\$2,111,629.12

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If Chicago boasts of two outstanding Negro banks, New York can boast of none which can be designated purely Negro. New York is to me a source of much concern relative to the black man, for I do not believe that his progress here has been conspicuous. We must view this condition with alarm when we realize that in New York the Negro is pitted against the most highly evolved society in the world, and his progress here might be taken as an indication of his present and future success elsewhere for if he fails to succeed in the premier urban center, he will have failed to earn a right to live in an industrial and commercial setting. The black American depicts his rural rawness and his inability to acquire urban characteristics more in New York than in any other city in the country. The root of his apparent backwardness is directly attributable to the intense competition found here. The Negro has come to New York from the South unschooled in how to live, accustomed only to the languid existence found on a Southern plantation. Instead of discovering a city with extensive and uninhabited territory, he finds himself all of a sudden actually catapulted into a strange, dynamic, seething mass of humanity residing like ancient Aztecs in veritable cliffs. He has to cope with entirely new conditions, and one of the first is housing. Land in New York is sold by the inches and there is a buyer





for every inch; and the Negro who is poor, ignorant and gullible, must settle in the interstitial district of the city — Harlem. As a natural human defense for existence he is forced to congregate in the unhealthy tenements, this congregation causing a concomitant increase in rentals. His health, his morals, his education - his entire soul and body - suffer as a result.

Coupled with his ecological deficiencies is his utter inability in industry and commerce. Thus the black man's existence in Harlem becomes one trial after another, with his entire attention devoted to securing food, shelter, and clothing and none to constructing the mediums of exchange. As stated above, ignorance of banking and the inability to secure a representative management have, whenever the attempt has been made, prevented the Negro from securing a charter for a bank in New York City. I am of the opinion that the stringency of the State banking laws has been beneficial to the Negro, for in such a competitive community a Negro bank would have been doomed to failure before it was opened.

Nevertheless, an attempt has been made to provide the Negroes in Harlem with a commercial bank and at the same time to teach the Negro the business from the ground up. In the fall of 1928 the Dunbar National Bank opened its doors for business in the Dunbar Apartments Building





on Eighth Avenue and 150th Street. Both the bank and the apartments are the result of Mr. John D. Rockefeller, Jr.'s efforts to assist the Negro socially and economically. The Dunbar Apartments, which are two blocks long by two wide, consist of cooperative apartments, tenanted about 2000 Negroes. The rents are reasonable, \$33 per month for three rooms, up to \$70 for five. There is a court in the grounds providing for juvenile recreation, thus helping to keep the children off the streets and to furnish them more healthful surroundings for play. On the Seventh and Eighth Avenue sides of the apartments are general merchandise stores; among them is the Dunbar National Bank.

Too much cannot be said concerning this institution. During the Christmas recess, I visited the Dunbar National Bank to find out from the president just what his reaction was concerning banking in Harlem among Negroes. I talked with the (white) president, (he died suddenly two weeks after our conference) Mr. Higgins, for exactly two hours and twenty minutes, and I have never before enjoyed such ~~enervating~~ <sup>interesting</sup> and instructive experience in practical banking and its problems as concerns the Negro. Mr. Higgins started in the banking business as a young man. He worked in the American Exchange National Bank of New York for thirty-six years, in the Federal Reserve Bank of New York for nine years, and came to the Dunbar as its



president upon the request of Mr. Rockefeller. Thus the bank was managed from the beginning by one who thoroughly understood practical and sound banking, and, in passing, it is well to state here that Mr. Rockefeller demonstrated his sincerity and thoroughness in the bank as he did in the apartments, when he secured the services of such an experienced man.

Except the cashier, the remainder of the bank's personnel is colored. These employees were taken from a long list of applicants and have been schooled in practical commercial banking from the day they went to work; in addition, the majority of them attend the school founded by the American Bankers Association, at night, in order to learn the theory of banking. The entire idea at present is more social and educational than economic. When a sufficient number of the bank's colored employees learn how to manage it, Mr. Rockefeller intends to turn over the whole institution to Negro management.

Equally as important as the training of an intelligent and enlightened Negro personnel is the bank's dealings with the public. It is by law, of course, a member of the Federal Reserve System, thereby assuring the people of a high class financial organization. The total resources are now over \$2,000,000, though between



\$500,000 and \$700,000 represent the monthly balance kept in the bank by the Rockefeller interests and about \$300,000 the deposits of white merchants who have stores in the neighborhood. Nevertheless, Negroes have utilized this opportunity to bank with an institution which was founded solely for their benefit.

Mr. Higgins was confronted with the identical problem that Negro bankers have to face: there were no Negro commercial enterprises which could utilize the services of the bank, practically all of the wealth in the community being tied up in real estate. Right here is where sound judgment and good management came in. The president refused to grant loans on property unless he knew such loans were 100 per cent secure. But he did not turn his customers who wanted such loans away: he assisted them in making acquaintance with first-class mortgage companies which were suited to deal in real estate. As a result, he kept the good-will of his clients and at the same time kept his financial house in order.

His main interest was, however, the Negro who was in commercial lines. Here he encouraged borrowing when it was wise and safe, and at the same time instructed the small shop owner in how and how much to borrow. In sum, Mr. Higgins performed every task except actually getting behind the counter and running the businesses for his customers.





The outcome of it all has been respect and goodwill on the part of the customers for the Dunbar bank and an increase in courage and ambition on the part of the public; all of which is the result of a great sociological and economic undertaking by Mr. Rockefeller in the interest of the black man. In my opinion, there was no other way to go about such a problem in Harlem. Someone had to interest himself in the Negro, not from a money making viewpoint, but from an altruistic angle. In due time, good is bound to accrue not only to the Negro but to society in general.

## VII. Conclusion

~~What, then, is the upshot of it all?~~ Generally speaking, Negroes have not succeeded in commercial and banking fields. Their first efforts to lend money and to operate commercial enterprises before the Civil War were successful in a few instances<sup>s</sup>, but inadequate for the needs of the people or to leave a lasting effect on the race as a whole. Nevertheless, these mutual and cooperative steps on the part of the Negro before 1865 were steps in the right direction but were doomed to failure when war intervened. It is obvious that the revolution in society as a result of the war hindered the Negro's evolution in business and trade as it probably did in many other ways.



The attempts of military authorities and other friends of the Negro to establish banks were beneficial and encouraging, but it showed in the long run misdirected paternalism since it put the Negro on a different level from the rest of the citizens who were proponents and champions of the laissez-faire system. This difference in standards was quite obvious in the colossal failure of the Freedmen's Bank. Private interests who were unscrupulous and indifferent to the welfare of the Negro finally gained control of the bank and soon wrecked it. This financial débauch remained a barrier to any future banking plans in which the Negro was interested.

If his confidence and courage met with evil consequence as a result of the Freedmen's failure, his ignorance and lack of financial and commercial knowledge completely destroyed his desire and ambition in commercial lines from the period 1870-1900. I believe that these thirty years were the gloomiest of all in so far as the black man was concerned since the Civil War. During this time, he was not much more than a helpless being at the mercy of a hostile race. The traditions of the South and his new position as a competitor of the white man tended to destroy permanently his progress. In addition, the ignorance and downright crookedness of those Negroes who attempted to manage commercial or



banking enterprises went a long way in destroying the character and responsibility of the race.

The dawn of the present century was the real beginning for the Negro in industrial and commercial activities. In the South, he was forced to build his own social and economic structures which had had practically no opportunity to be formed on a safe basis before. The banks organized by Negroes between 1900-1910 played an important part in shaping their economic progress, for without them and in spite of their many defects, the colored man could not have made very much progress. Furthermore, this period was one of trial and error for the Negro in banking and he learned through this method many things which he has subsequently put into operation.

Such outstanding Negro banks as the Citizens Savings and Trust Company, The Mechanics and Farmers, the Binga State Bank, the Douglass National, the Prudential, and the quasi-Negro bank, the Dunbar National, are landmarks to Negro endeavor and honesty. They clearly demonstrate the capabilities of the black man and are potent arguments against economic discrimination.

However, the leaders in any field are not the sole possessors of our social and economic problems; especially is this so in a Democracy. Rather these problems are the heritage of the people and on the mass of Negroes they must rest. So far the mass has not





progressed sufficiently to warrant much praise. True, it has been the object of undue and unbearable persecution from a superior race which in many instances has apparently gloated on the so-called inferiority of the Negro. But in spite of this, the Negro cannot afford to construct a negative philosophy, the theme of which is white domination and hostility. Instead he must, in view of and in spite of his lot, get down to ~~honest-to-goodness~~ work. He must learn responsibility and practice it; fight rationally for his rights whether they be work or play and try to catch up with the social and economic pace set for him by his brother American.

Generally speaking, the future does portend some good for the black man. The communities in which he has succeeded in business have, to a large extent, respected him. He has in many instances received unstinted aid from even Southern whites who are in larger numbers viewing the Negro not with hate and as a foreigner, but with tolerance and as an American. This attitude along with the increase in education have enabled the colored man to obtain a better hold on life; he is becoming an asset to his country.



## Bibliography

The Annals of the American Academy of Political and Social Science.

Authoritative data concerning Negro political and social History.

Douglass, F., Life and Times of Frederick Douglass. *Hartford, Conn., 1881*

The author, a leading Negro of all times, has given to us through his autobiography very important information concerning the Negro before and after slavery. One gleans from his works invaluable data relating to the Negro's economic status during his period.

Fleming, W.L. Freedmen's Savings Bank and Trust Company. *New Haven, 1917*

The writer tells the story of this unfortunate experiment in banking as no one else has done.

Fleming, W.L. History of Reconstruction. *New Haven, 1919*

The author is one of the best writers on reconstruction. He embodies in his works first-hand information dealing with every phase of Negro life during the post-war period.

Harmon, J.H., Jr., Lindsay, A.G., and Woodson, C.G., The Negro as a Business Man. *Washington, D.C., 1928*

In this book, there are twenty-five pages dealing with Negro Banks. I found it to be quite useful though it failed to give me important facts concerning the history of Negro Banking.

National Freedmen Vol. ~~XIV~~

An important record dealing with Negro History.

Rutherford, R. H.

Is in the insurance business in Washington, D.C. I was able to converse with him recently on Negro Banks and he gave me important information about the early experiences of Negroes in banking, especially in Washington, D.C., where he has lived for sixty years.



Washington, Booker T., The Story of the Negro. New York, 1910

One would hardly attempt to write anything about the Negro unless one consulted with the works of Mr. Washington. He is considered an authority.

Woodson, C.G., The Negro in our History. Washington, D.C. 1923

The author is by far the foremost writer on Negro History. He has written voluminously about the Negro, and one is able to find important data on practically every subject which treats with the Negro.

Woodson, C.G., The Negro of Cincinnati. Washington, D.C. 1915

The writer gives one a detailed history of the Negroes of the above mentioned city; some space is devoted to the Negroes commercial and financial life.

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Letters received from officials of the following banks:

Anderson, C.H., Anderson and Co., Bankers, Jacksonville, Fla.

Binga, Jessa, Binga State Bank, Chicago, Ill.

Boyd, H.A., Citizens Savings Bank and Trust Co., Nashville, Tenn.

Edwards, E.E., Mutual Savings Bank, Charleston, S.C.

Gadson, F.P., Ocala Savings Bank, Ocala, Fla.

Grigg, E. M., Farmers and Citizens Savings Bank, Palestine, Texas.

Hill, J.S., Forsyth Savings and Trust Co., Winston-Salem, N.C.

Johnson, J.J., Boley Bank and Trust Co., Boley, Okla.

Johnson, W.H., Peoples Federation Bank, Charleston, S.C.

Jones, J.W., Citizens Savings Bank and Trust Co., Winston-Salem, N.C.

Lindsay, S., Peoples Dime Savings Bank and Trust Co., Staunton, Va.





Lovett, W., First Standard Bank, Louisville, Ky.

Lowery, J.H., Citizens State Banking Co., New Orleans, La.

Mitchell, C.E., Mutual Savings and Loan Co., Charleston, W.Va.

Mitchell, J., Jr., Mechanics Savings Bank, Richmond, Va.

Northcross, D.C., D.C. Northcross and Co., Bankers, Detroit, Mich.

Overton, Anthony, Douglass National Bank, Chicago, Ill.

Pearson, W.G., Fraternal Bank and Trust Co., Durham, N.C.

Phillips, J.L., Modern State Bank, Pittsburg, Pa.

Proctor, J.F., Community Savings Bank, Portsmouth, Va.

Quo, E.H., Fidelity Savings Bank, Savannah, Ga.

Quo, E.H., Mechanics Investment Co., Savannah, Ga.

Rich, W.M., Metropolitan Bank and Trust Co., Norfolk, Va.

Richardson, J.W., Phoenix Bank, Suffolk, Va.

Sawyer, E.J., Workers Enterprise Bank, Bennettsville, S.C.

Singleton, J.B., Peoples Savings Bank and Trust Co., Nashville, Tenn.

Spaulding, C.C., Mechanics and Farmers Bank, Durham, N.C.

Stanley, J.P., Mutual Aid and Banking Co., Newbern, N.C.

Tarriol, R.F., Nickel Savings Bank, Richmond, Va.

Taylor, J.T., Second Street Savings Bank, Richmond, Va.

Vick, S.H., Commercial Bank of Wilson, Wilson, N.C.

Walker, M.L., St. Luke's Penny Savings Bank, Richmond, Va.

Washington, E., Workmen's Savings and Loan Co., Galveston, Tex.

Williams, L.E., Wage Earners Savings Bank, Savannah, Ga.

Wright, R.R., Sr., Citizens and Southern Bank and Trust Co., Phila., Pa.

Wright, W.H., American Mutual Savings Bank, Louisville, Ky.

[Faint, illegible text spanning the page, likely bleed-through from the reverse side. The text is organized into several paragraphs and lists, but the characters are too light to transcribe accurately.]

Comments on Foregoing References

The general tenor of the letters received was one of extreme conservatism relative to the banking business done by these institutions. In no instance was enthusiasm evinced as to the future in commercial banking among Negroes. A majority of the bank officials were happy to know that I was attempting to write a paper about Negro Banks since it might react beneficially to them.

Personal Interviews with Following Bankers:

Hawkins, J.R., The Presidential Bank, Washington, D.C.

Higgins, J., Dunbar National Bank, New York, N. Y.

Lewis, J.W., Industrial Savings Bank, Washington, D.C.



## APPENDIX

### List of Negro Banks Founded in United States, 1900-1928.

#### District of Columbia

Industrial Savings Bank, Washington  
The Prudential Bank, Washington  
Union Laborers Savings Bank, Washington

#### Florida

Progress Savings Bank, Key West  
The Ocala Savings Bank, Ocala  
Anderson and Company Bankers, Jacksonville

#### Georgia

Atlanta State Savings Bank, Atlanta  
Auburn Savings Corporation Bank, Atlanta  
Penny Savings Loan and Investment Co., Augusta  
Fidelity Savings Bank, Savannah  
Mechanics Investment Company, Savannah  
Mechanics Savings Bank, Savannah  
Savannah Savings and Real Estate Corp., Savannah  
Wage Earners Savings Bank, Savannah  
Liberty Savings and Real Estate Corp., Macon  
Middle Georgia Savings and Investment Co., Macon  
Laborers Savings and Loan Co., Columbus  
Citizens Trust Co., Atlanta

#### Illinois

Binga State Bank, Chicago  
Douglass National Bank of Chicago, Chicago

#### Kentucky

First Standard Bank, Louisville  
American Mutual Savings Bank, Louisville

#### Louisiana

Citizens State Banking Company, New Orleans

#### Maryland

Hatchett and Lewis Bankers, Baltimore  
J. Winfield Thomas Bank, Baltimore  
Harry O. Wilson Bank, Baltimore  
Wingate and Brown Bankers, Baltimore  
Taylor and Jenkins Bankers, Baltimore





## Massachusetts

Eureka Cooperative Bank, Boston  
 South End Cooperative Bank, Boston

## Michigan

D.C.Northcross and Co., Bankers, Detroit  
 Peoples Finance Corp., Detroit

## Mississippi

Mound Bayou State Bank, Mound Bayou  
 Delta Penny Savings Bank, Indianola

## Missouri

Peoples Finance Corporation, St. Louis

## North Carolina

Dime Bank, Kinston  
 Forsyth Savings and Trust Co., Winston-Salem  
 Citizens Bank and Trust Co., Winston-Salem  
 Holloway, Murphy and Co., Kinston  
 Albemarle Bank, Elizabeth City  
 Commercial Bank of Wilson, Wilson  
 Fraternal Bank and Trust Company, Durham  
 Mechanics and Farmers Bank, Durham  
 Mechanics and Farmers Bank (branch), Raleigh  
 Mutual Aid and Banking Co., Newbern  
 Isaac Smith Trust Co., Newbern

## Ohio

Empire Savings and Loan Co., Cleveland  
 Adelphi Building, Loan and Savings Co., Columbus

## Oklahoma

Boley Bank and Trust Co., Boley  
 First National Bank of Boley, Boley

## Pennsylvania

Modern State Bank, Pittsburgh  
 Citizens and Southern Bank and Trust Co., Phila.  
 The Steel City Banking Co., Pittsburgh  
 Keystone Bank, Philadelphia  
 Brown and Stevens Banking Co., Philadelphia



## South Carolina

Victory Savings Bank, Columbia  
 Mutual Savings Bank, Charleston  
 Peoples Federation Bank, Charleston  
 Workers Enterprise Bank, Bennettsville

## Tennessee

Fraternal Savings Bank and Trust Co., Memphis  
 Solvent Savings Bank and Trust Co., Memphis  
 Citizens Savings Bank and Trust Co., Nashville  
 Peoples Savings Bank and Trust Co., Nashville

## Texas

Farmers and Citizens Savings Bank, Palestine  
 Farmers Improvement Bank, Waco  
 Farmers and Mechanics Bank, Tyler  
 Fraternal Bank and Trust Co., Fort Worth  
 Workmen's Savings and Loan Co., Galveston

## Virginia

Brown Savings Bank, Norfolk  
 Metropolitan Bank and Trust Co., Norfolk  
 Crown Savings Bank, Newport News  
 Commercial Bank and Trust Co., Richmond  
 Gideon Savings Bank, Norfolk  
 Gallilean Fishermen's Bank, Hampton  
 Tidewater Bank and Trust Company, Norfolk  
 Sons and Daughters of Peace, Penny, Nickel and  
   Dime Bank, Newport News  
 Second Street Savings Bank, Richmond  
 Peoples Dime Savings Bank and Trust Co., Staunton  
 Peoples Bank of Petersburg, Petersburg  
 Savings Bank of Danville, Danville  
 St. Luke's Penny Savings Bank, Richmond  
 Nickel Savings Bank, Richmond  
 Mechanics Savings Bank, Richmond  
 Community Savings Bank, Portsmouth  
 The Phoenix Bank of Nansemond, Suffolk  
 Continental Savings Bank, Dendron

## West Virginia

Mutual Savings and Loan Co., Charleston





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